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E.O. 12958: DECL: 08/03/2018
TAGS: [ECON](#) [EINT](#) [EAIR](#) [AZ](#) [TX](#)
SUBJECT: BOEING TO SELL ADDITIONAL AIRCRAFT TO AZERBAIJAN
AIRLINES (AZAL)

Classified By: Classified By: Ambassador Anne E. Derse, Reasons 1.4 (b,
d)

¶1. (C) SUMMARY: On August 4, Boeing Regional Sales Director Serdar Gurz, visiting from London, reported a successful upgrade of Azerbaijan Airlines's (AZAL's) aircraft order from a total of five aircraft (three 787s and two 737-900s) to a total of eight aircraft: two 787s, two 767-300ERs, and four 737-900s. Gurz, who had previously briefed the Ambassador on Boeing's Azerbaijan/AZAL plans, also mentioned that USTDA assistance would be necessary to guarantee the sale, that the GOAJ had surprisingly decided to finance the aircraft purchase with funds from ABN Amro, that AZAL would soon purchase Georgian state carrier Air Zena (Georgian Airways), and that AZAL now plans to enter the U.S. market with its newly purchased 767-300ER. Gurz said a public announcement of the purchase would be made by AZAL on Wednesday.

¶2. (U) In a July 25 meeting with the Ambassador, Boeing Regional Sales Director Serdar Gurz said that he came to Azerbaijan because Boeing was facing delays in the production of its new 787 "Dreamliner," and he sought to convince AZAL to reduce its 787 order so that Boeing could reduce fines it must pay in late penalties to 787 customers worldwide. Wanting to make the best of this difficult situation, Gurz said he planned to offer AZAL two priority time-slots for deliveries of 767-300ER aircraft, as well as an attractive price on additional 737-900 aircraft. On August 4, Gurz called the Embassy to report that he had reached an agreement with AZAL for two priority deliveries of 767-300ER aircraft in exchange for AZAL's agreement to drop one of its three 787 orders. These 767-300ERs will be delivered around late 2010 or early 2011; the two remaining 787s are now expected to be delivered in 2013. Gurz also convinced AZAL to order two additional 737-900s for delivery in 2011 (in addition the two previously ordered for delivery in 2010). Gurz mentioned that one of the 767s would be fitted with a VIP interior at a modification center in Texas, and would likely become Azerbaijan's new Presidential aircraft.

¶3. (U) Gurz mentioned that Boeing had already requested assistance from USTDA to help AZAL meet the FAA requirements to fly to the United States. AZAL is already working with a reputable consulting firm (The Wicks Group) in order to achieve this goal. Boeing believes that if AZAL were unable to secure that permission, the sales of these 767s and 787s could be in jeopardy. Gurz said the first aircraft (a 767) could potentially be ready for flights to the United States as early as May 2011 if AZAL can secure the needed FAA approvals.

¶4. (C) Gurz said he believes that AZAL will soon purchase Air Zena (Georgian Airways) because the President of Georgia

asked the President of Azerbaijan to make this happen. Gurz said that AZAL Chairman Jahangir Asgarov and Azerbaijani President Ilham Aliyev are very close, and this should therefore be considered a "done deal." Gurz asked this information not be transmitted outside USG channels.

15. (C) Gurz said that Boeing had worked hard to secure an extremely attractive financing package for AZAL: an offer of LIBOR plus zero percent from Barclays. However, the Azerbaijani Ministry of Finance had later chosen to accept an alternate financing package from ABN Amro, citing a long-term relationship with that bank. Gurz said he did not know the rate offered by ABN Amro, and that he did not want to know the specifics of that transaction. He added it was inconceivable that ABN Amro could have offered a rate superior to LIBOR.

16. (C) Gurz said that in terms of maintenance and safety, AZAL compared favorably with other state airlines in Central Asia. "I have no problem with flying AZAL," Gurz said, but he expressed reservation about flying with Turkmenistan Airlines, saying its head was "the nicest guy on Earth, but he knows nothing about aviation."
DERSE